

Ministry Of Health

Registration of Interest

Service Outcomes and Service Providers

Social Bond Pilot

(Note: The ROI for Intermediaries will follow in 2014)

Part 1 – Instructions and Supporting Information

What's inside?

Introduction to Social Bonds

Purpose of the ROI

Instructions

Proposed Social Bond Pilot procurement process

How this ROI will be evaluated

Guidance information to assist you in your response



1. Introduction to the Social Bond Pilot

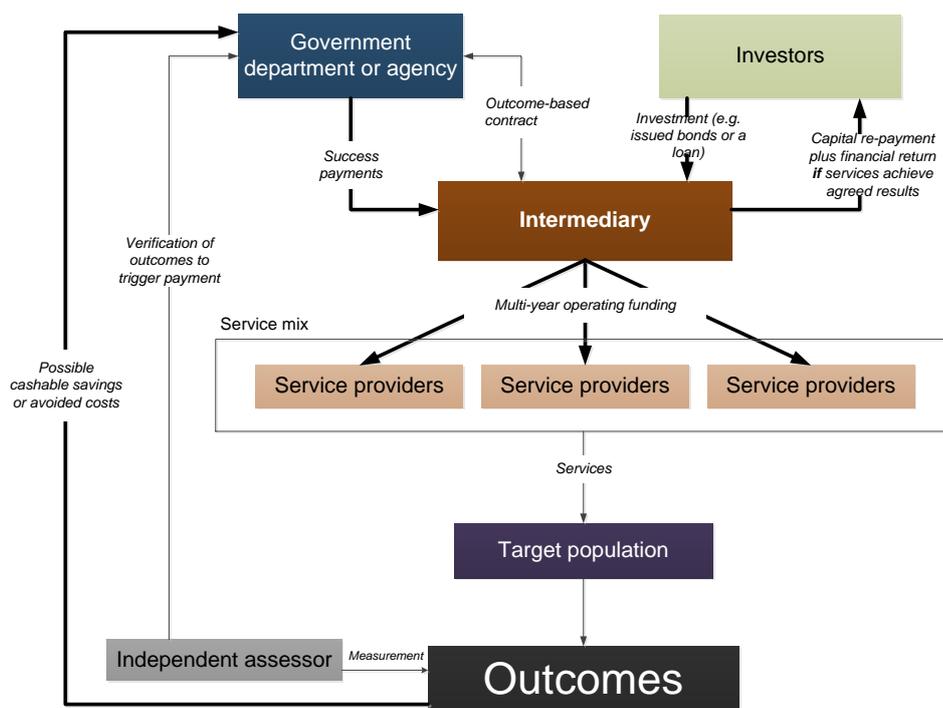
Government (lead by Ministry of Health) is developing a 3 – 5 year Social Bond Pilot to test the viability and value of Social Bonds in New Zealand.

Why a Social Bond Pilot?

Social Bonds have gained attention worldwide as a new way of resolving social problems. They enable different parties – government, non-government organisations (NGOs), the private sector and communities – to work together, to achieve better social outcomes.

Key roles in a Social Bond are:

- **service providers** – deliver services to achieve an impact (i.e. the outcome)
- **investors** – provide upfront capital to fund services during the term of the bond
- **an ‘intermediary’** – assist with structuring the bond, raising capital, driving service programme performance and “weaving” parties together
- **independent assessors** – review and verify results in accordance with agreed methodology framework
- **Government** – pays for results



Government is open to Pilot ideas in any social outcome area that aligns with Government priorities. Social Bonds have wide potential application. They are currently being used overseas to address a wide range of social issues such as reducing reoffending, increasing employment, improving outcomes for children in care, and improving management of chronic health conditions.

However, a Social Bond will not suit all outcome areas or service providers. It will be important the Social Bond Pilot has:

- a service or programme with potential for social impact

- willing service providers who are committed to investing and engaging in the long term procurement process and Social Bond Pilot term
- willing investors
- a suitable sized, well-defined group of service users
- a robust measurement framework

All social bond information and relevant links to recommended resources are available on the Ministry of Health's website at the following link:

<http://www.health.govt.nz/our-work/preventative-health-wellness/piloting-social-bonds-new-zealand>

2. Purpose of this ROI

The purpose of this ROI is to identify a suitable service outcome and potential service provider of that outcome for the purposes of a Social Bond Pilot in New Zealand over a 3-5 year period.

3. Instructions

Understand the requirements

Make sure you fully read this document before starting to write your response. In particular develop a strong understanding of ‘Instructions and Supporting Information’ and how your proposal will be evaluated. If anything is unclear or you have any questions then ask us to explain. Email the Contact person below.

Changes to the process

If we need to change anything about this process or want to provide Providers with additional information we will let all Providers know by placing a notice on the Government Electronic Tenders Service (GETS) at www.gets.govt.nz If you downloaded this Registration of Interest Part 1, 2 or 3 from GETS you will automatically be sent notifications of any changes.

The Contact Person

Please direct all enquiries to our Contact Person. You must not attempt to gain information from any other member of the Social Bonds Group staff or Policy Group or any other Government Agency eg The Treasury, or providers of this project eg KPMG.

Lea Patrick

Senior Procurement Advisor Telephone: 04 816 2616

Email: tenders@moh.govt.nz

Please note: The Ministry of Health is closed from 20 December 2013 to 6 January 2014.

The Timeline

The following information sets out our process and indicative timeline.

Event	Indicative Date
Issue of ROI on GETS	December 2013
ROI clarification (Q&A) period starts	Friday 10 th January 2014
ROI clarification (Q&A) period ends	Friday 14 th February 2014
ROI Closing date	12pm Friday 28 February 2014
Evaluation period (this includes economic modelling by Treasury)	March-June 2014
Shortlist notified	July 2014

Please note: All times are New Zealand time. We reserve the right to alter the timeline, if required.

Please note: The Ministry of Health is closed from 20 December 2013 to 6 January 2014.

The Rules

This Registration of Interest is subject to a set of terms and conditions called the Part 3 - ROI Terms and Conditions. These are attached as a pdf file.

Response Submission

Responses must comprise of an electronic response and be set out as instructed.

Please note: Proposals sent by post or fax will not be accepted.

Make sure that you include the ROI title in your email. If you don't get a response to confirm receipt of your email you should assume that we have not received it.

Electronic responses should be compatible with Microsoft Office (.doc/x and .xls/x) or Adobe PDF.

The response template must be provided in both PDF and Microsoft word version (.doc/x). The 3-5 year budget sketch must be provided in the template provided and be Microsoft excel (.xls/x) format.

Responses must be received, no later than **12pm Monday 28th February 2014** by email at the address below.

Please note:

1. Completed ROI's received after the closing date may be rejected.
2. If you wish to propose more than one service outcome please complete one response for each.

Clarification Period

The clarification **opens on Friday 10th January 2014 and closes on Friday 14th February 2014**. The Ministry will endeavour to respond to queries within reasonable timeframes and will publish any responses that affect all potential service providers onto GETS.

Please note: The Ministry of Health is closed from 20 December 2013 to 6 January 2014.

The address for proposals

In submitting your proposal please use the following address:

tenders@moh.govt.nz

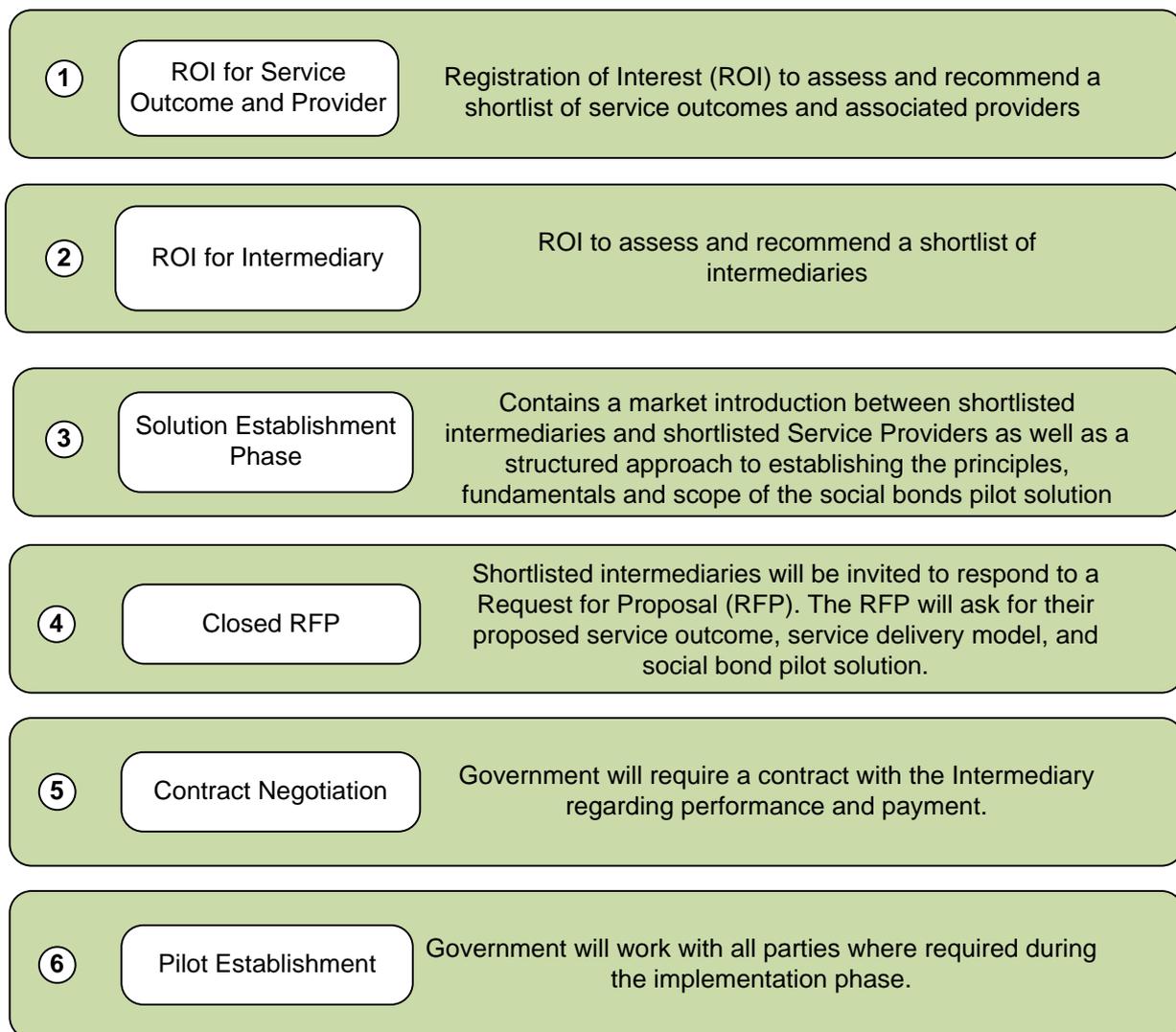
Please note: proposals sent by fax or post will not be accepted.

4. The Proposed Social Bond Pilot Procurement Process

Overall Summary of the Procurement Process

Potential providers should be aware that the procurement process for the establishment of a Social Bond Pilot has significantly longer (12+ months) timeframes than that of 'traditional' procurement processes. It signals the commitment, resourcing, flexibility and engagement required by all parties involved.

The following diagram provides a view of the procurement phases involved to establish a Social Bond Pilot.



Phase 1: The purpose of this phase is to recommend a shortlist of suitable service outcomes and capable service providers. This however, does not guarantee shortlist service providers or service outcomes will be successful through the remainder of the procurement process. Proposals will be put through a rigorous evaluation methodology to ensure we have the right shortlist of capable, committed providers, along with a shortlist of service outcomes that align with government priorities and are suitable for a Social Bond Pilot.

Phase 2: As for phase 1 a ROI is required to obtain a shortlist of potential intermediaries who have been assessed as capable for their role in the social bond model. This shortlist along with the shortlist of service providers/service outcomes will advance to phase 3.

Phase 3: More information on this phase is outlined below in 'Solution Establishment – phase 3 overview'.

The main objectives of this phase are:

1. Intermediaries and service providers come together for a 'match making' exercise to obtain visibility, familiarity and to form partnerships for the closed Request for Proposal (RFP) response in phase 4.
2. Familiarity for the intermediaries on the shortlisted service outcomes and exploration of the required service delivery model to achieve the outcome.
3. Structured dialogue with service providers and intermediaries that allow the development of the Social Bond Pilot model solution and indicative contract (between government and the intermediary) for the closed RFP.
4. Provides and intends to decrease the timeframe for negotiation of the contract following the RFP.

This phase does not guarantee a successful partnership will be formed between a shortlisted service provider and intermediary.

Phase 4: Once phase 3 concludes the RFP will be developed and released for a closed tender for a partnership response by a partnered shortlisted intermediary and shortlisted service provider/s. The responses received will be assessed and a shortlist (if applicable) will advance to phase 5.

Phase 5: Contract negotiation with government and the intermediary as the service provider partnered with the intermediary will negotiate with the intermediary directly.

Phase 6: Government will, where applicable, work with the intermediary to implement the agreed pilot model. This along with phase 3 will be the longest in terms of timeframes to complete.

What is the Solution Establishment Phase?

The solution establishment phase provides a structured, open, but formal process to enable the development of the Social Bond Pilot solution prior to the release of a closed RFP. This includes an indicative agreement to support the solution. Service providers will respond to the closed RFP in partnership with an intermediary.

The objective of this phase is to answer the following questions:

- What will the operating model look like between all parties?
- How will the contract be constructed?
- Roles and responsibilities – who, what, where, when, how?
- How will intermediaries know who the service providers are and what they do?
- How will intermediaries choose the service providers they wish to work with?
- What will the RFP contain and what do we need to be asking?

The following high level approach to this phase includes but is not limited to:

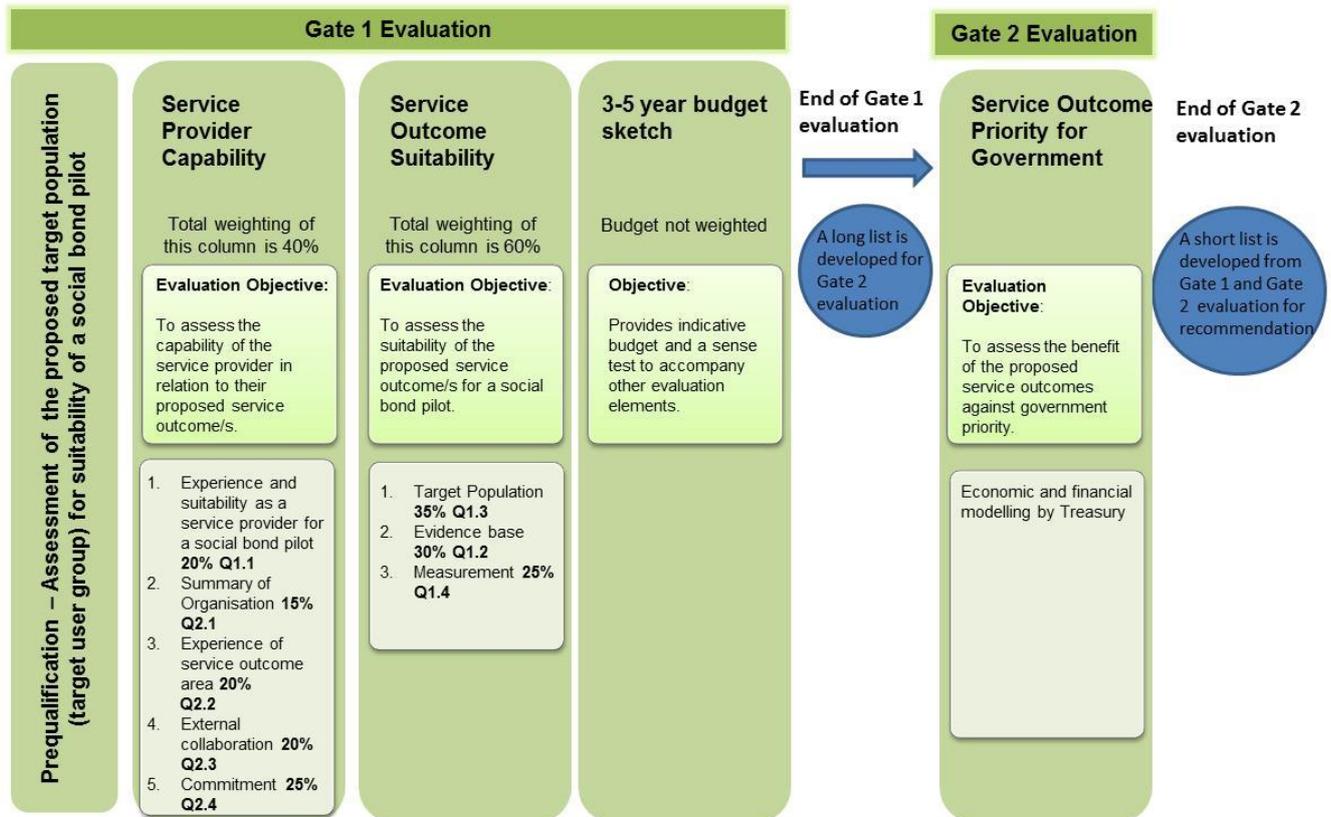
- For visibility and familiarity between the two parties, all approved shortlisted service providers (and their respective service outcomes) will gain the opportunity to meet with shortlisted intermediaries as part of a market engagement activity.
- Structured dialogue on sharing ideas between government, intermediaries and service providers around the solution options, risks, dynamics, governance, measurement and contract fundamentals
- Pilot establishment (implementation and set up)
- Feedback from intermediaries and service providers to proposed solution options once constructed

What will be required by the service provider?

- Agreement to the finalised solution establishment process outline, timeframes, scope and terms by any shortlist service provider who wishes to continue through the procurement process for the Social Bond Pilot.
- Awareness of the time and resource required to commit once the finalised process is known.
- A willingness to engage with the knowledge a contract is required between a service provider/s and the intermediary.

5. How this ROI will be evaluated

Evaluation Model



A summary of the evaluation process is as follows.

- All responses will be screened for completeness and validity.
- All valid ROI responses will go through an initial screening to assess the target population is of a 'suitable size' (see 6. 'Guidance information to assist in your response' clause 1.3).
- Suitable sized target population proposals will move forward to evaluation process Gate 1
- A 'long list' will be established for Gate 2 of the evaluation phase where Treasury will quantify the financial and economic impact on each service outcome
- On completion of analysis of Gate 2 evaluation, a recommended shortlist of service outcomes and service providers will be presented for approval and sign off by Ministers.
- Recommendations will show provider/service outcome suitability, capability, and financial and economic impact supported by budget sketch. Analysis and evaluation of the ROI responses will produce a recommended shortlist based on the following:

Additional Information we may require

As a condition of this ROI you agree that should you be successful in being shortlisted, you may be asked to provide detail in the following areas:

- Company Details, legal status
- Company Ownership Structure and Facilities
- Staff structure and capabilities
- Financial Information (eg annual accounts)
- Insurance details (eg indemnity levels, public liability)
- Referees
- Other information

6. Guidance Information To Assist In Your Response

This appendix provides additional information and guidance on what to include in your response.

See the following link for all information and links on recommended resource information:

<http://www.health.govt.nz/our-work/preventative-health-wellness/piloting-social-bonds-new-zealand>

Area 1 – Social Bond Pilot Proposed Service Outcome

1.1 Proposed Social Bond Service Provision and Outcomes

What is an outcome?

An agreed outcome of a Social Bond Pilot is critical. The outcome is the impact of the programme on the lives of the people who receive the service. It is not the inputs or outputs of a particular service.

For example – in the case of treatment for harmful drug and alcohol use:

- *Inputs* – could be the number of patients or beds
- *Outputs* – could be the number of treatment sessions completed
- *Outcomes* – could be re-engagement in normal domestic life (eg, access to stable housing; or access to own children or alternatively, a reduction in offending).

What outcome areas are being considered?

While the Ministry of Health is currently leading the work to develop the pilot, the Government is open to pilot ideas in any social outcome area.

Social bonds will not suit all social outcomes. They are likely to be more effective for outcomes that:

- can be clearly defined, measured and attributed to pilot services
- align with government priorities
- have a sizeable group of service users so effective comparison and measurement can be applied

Social Bond Pilots overseas address a range of outcomes, for example:

- reducing reoffending rates for short-term prisoners
- increasing the long-term employment rate for released prisoners
- increasing the restoration of children to their families from state care
- improving patient management of asthma, thereby reducing hospital admissions

1.2 Evidence Base

Provide any evidence that shows a relationship between the proposed services and the outcome. Such evidence may include:

- results of relevant services (here or overseas)
- independent quality assurance
- academic research
- anecdotal reports.

1.3 Proposed target population

Who are the target population?

Describe your target service users. You should consider:

- size
- demographic (eg, gender, age, ethnicity)
- geographic reach
- other relevant information.

Be specific when describing your target population. For example, rather than a general region, the target population may be prisoners in a certain prison with sentences of less than 5 years. For example, in the Peterborough pilot the target population is male offenders aged 18 or over discharged from Peterborough prison after serving sentences of less than 12 months.

Setting the size of the target population

To be able to determine whether the outcome was produced by the service, you will need a sufficiently large sample size of service users. Pilots conducted overseas have ranged in size from 300 to over 3000 participants. We anticipate that a New Zealand pilot would have a target population of at least 300.

For example, the Newpin benefit bond being trialled in New South Wales, Australia, is delivering a parenting programme to over 700 families.

Why have you chosen this target population?

It is important to set out why you have chosen your target population. Why have you chosen this particular area or demographic? How have you identified who is in your target population?

What safeguards does your population need?

If your target population includes vulnerable people, such as children, what things will be put in place to ensure their safety? For example, how will you ensure whoever is delivering the service is appropriately qualified?

1.4 Measurement

Measurements of the result are a key component of the social bond.

Measurement in overseas Social Bond Pilots has included:

Peterborough Social Impact Bond, UK:

- measures the number of reconviction events resulting from offences committed in the 12 months following a prisoner's release
- this number was compared to a control group of similarly sentenced (ie, sentenced to less than 1 year imprisonment) prisoners from across the UK drawn from the Police National Computer database over the same time period and matched on the basis of factors like criminal history, age and ethnicity
- the results are independently assessed by the University of Leicester together with QuinetiQ, a private sector firm
- if reoffending is reduced by 7.5% across the entire cohort of 3000 or by 10% across any of the 3 cohorts of 1000 prisoners, then the investors will receive a return.

Newpin Social Benefit Bond, NSW:

- measures the proportion of children who are successfully restored to their family
- the pilot is targeting at least 65% of children entering their parenting programme being restored to their families
- the restoration of children is independently approved by the NSW Children's Court
- the size of capital repayments and rate of return vary depending on the restoration rate achieved.

The measurement will need to be:

- supported by robust research
- fit for the purpose (eg, simple enough to be understood by key stakeholders)
- independently verifiable
- feasible for you to be able to report on (eg, does not involve a significant burden)

It is likely that outside factors may influence the outcome and the ability to attribute the outcomes achieved to the service. These potential influences, if known, should be identified.

Note: This will be a key area of focus for the next stage of the process.

Area 2 – Capability to deliver the outcome

Your response should include information on your experience in the following areas:

- current or previous contracts delivering relevant services successfully to target populations
- experience collaborating with other providers or agencies
- relevant experience contracting with government or private funders
- any experience in obtaining investment capital and working with social investors
- experience with measuring the performance and impact of programmes, and being externally audited
- willingness to work on the development of the Social Bond Pilot project process

Area 3 – Budget to deliver the pilot outcome

3.1 Budget Sketch

An estimate of the cost of delivering the pilot is required. This estimate should include details of any establishment costs and the cost of delivering the service.

Refer to Part 2 Appendix A - 3-5 Year Budget Sketch Template